



AGENDA ITEM: 4

NORTH WALES FIRE AND RESCUE AUTHORITY

5th December 2013

BUDGET OPTIONS 2014-15

Report by Dawn Docx, Deputy Chief Fire Officer

Purpose of Report

- 1 To update members of the Fire and Rescue Authority as to the progress in developing the Fire and Rescue Authority's draft budget for 2014-15 and to present the recommendations made by the Executive Panel as part of this process.

Background

- 2 At the last Fire and Rescue Authority meeting on the 16th September 2013, Members agreed to endorse the Authority's draft improvement objectives for 2014-15 to go out to public consultation. The second of these objectives sets out a proposed financial strategy on which the Authority could base its next medium term financial plan. The proposal is:

"To implement a 3-year financial plan for 2014-15 to 2016-17 that funds the current level of service, but that aims to limit the cost of doing so to the equivalent of an extra £1 per year, per head of population."

- 3 Members will recall that this follows a frozen budget for the last three financial years which has required total savings of £2.4 million to be made. This period has seen the workforce, including managers, firefighters, community safety and support staff reduce by an overall 9%. Despite these reductions, the Authority continues to successfully deliver against its objectives,

for example managing to deliver over 22,200 home fire safety checks in 2012-13. Contrast this total with the Hereford and Worcester FRS which, according to its recent consultation document, delivered approximately 4,800 home fire safety checks in 2012.

Information

- 4 On 16th October 2013 Welsh Government issued its provisional local government revenue and capital settlement for 2014-15 together with indicative information with regard to 2015-16. At the time of the announcement of the provisional settlement, the overall funding available for 2014-15 represented a decrease of 3.5% or £153 million on the 2013-14 settlement for local government, once an adjustment is made for transfers. This decrease, coupled with the adjustment for the change in mid-year population estimates based on the 2011 census, has resulted in a reduction in the funding of the constituent councils in North Wales of between 3.5% and 4.6%. This can be expressed as an average reduction for North Wales local authorities of 3.6% in 2014-15 and 1.6% for 2015-16. Members need to keep in mind that the final settlement due to be announced by mid-December may change these figures.
- 5 Advice from the Authority's Treasurer is that the real effect on revenue budgets will be greater because the calculations referred to in paragraph 4 do not include the impact of inflation which can vary for different elements of expenditure such as energy, fuel for vehicles, pay, business rates. Adjustments to reflect the treatment by Welsh Government of grants moving in to the Settlement is another factor to consider as is the impact of protection for school budgets that continues to be a feature of Welsh Government policy. All of these combine to affect the priorities that local authorities and, by definition, this Authority have to consider when determining budgets going forward. Therefore, it could be argued that in real terms the cut is in the order of 6.5%.
- 6 Local authorities clearly are responsible for determining Council Tax each year and have to take account of the expenditure required to fund the cost of providing the Fire and Rescue Service. The Treasurer's advice each year is that the constituent authorities in North Wales generally expect that the Fire and Rescue Authority

to be fully aware of the impact of the Local Government Settlement and 2014-15 will be no exception. In giving this advice the Treasurer advises that he is also aware that this Authority has to consider its own position in terms of service standards and risks which are commented on elsewhere in this report. Members have to consider the whole picture presented to them in this report. The Treasurer will comment further, where required, at the meeting.

- 7 Through the work undertaken by the Improvement Planning Working Group, Members have already concluded that any further significant savings can no longer be found in either budget line reductions or support costs and that any further large scale savings would have to be found from reductions in service provision. A reduction of 6.5% is the equivalent of over £2 million. As members are already aware, a saving of £1 million alone equates to the removal of one wholetime fire appliance (and 28 wholetime firefighter posts) or 8 retained duty system (RDS) appliances and anything up to 100 associated jobs (where there is no station closure involved) or 7 RDS stations across the North Wales area. To save £3 million would, broadly, require all of the above to be implemented.
- 8 Members will also be aware that costs have already been reduced through a substantial restructuring exercise in 2012 which resulted in the loss of 20% of the operational managerial establishment; a reduction of 22 firefighter posts as a result of the rostering arrangements introduced in 2012-13 together with a further 12 wholetime firefighter posts related to the removal of dedicated Aerial Ladder Platform (ALP) crews. In addition, the support staff establishment has been progressively reduced by approximately £180,000 since 2011.
- 9 If Members wished, in light of the local government revenue settlement, to revise their decision regarding the improvement objectives for 2014-15, the timescales involved would not allow for the statutory consultation with all stakeholders to take place to enable these Service reductions to be made in 2014-15. If this option is considered it is more realistic to seek to deliver any budget reductions in 2015-16.

Risks and Opportunities

- 10 As always with budget setting the main risks to the Authority are around the prospect of a higher than anticipated pay award being granted, increased activity levels, the reduction or removal of direct grants from the Welsh Government and the outcome of the provisional local government settlement from the Welsh Government.
- 11 Although the effect of the first three of those risks will not be known until 2014, we are now aware of the impact of the local government settlement. In preparation for this, officers have been working to see if there is a short term opportunity to reduce the budget for 2014-15 leaving Members time, should they wish to do so, to consider any service reductions for 2015-16.
- 12 One opportunity presents itself now that the decision has been made to continue with the joint fire and ambulance station at Wrexham. This will allow the £800,000 creditor, which was in the revenue accounts for 2012-13, to be reversed and, along with the £100,000 provision for increased interest rates and £100,000 from the general reserve, this could be used to underpin the budget for 2014-15 by £1 million, a reduction of 3%. The risk associated with this action is that the Authority would need to make £1 million of savings the following year just to stand still, before any additional savings required to meet pay and price inflation.
- 13 A more prudent approach would be to set a frozen budget for one more year, 2014-15 and move the £1 million into a general reserve which could be used to cover any overspend which might arise through increased activity. This is the approach recommended by the Executive Panel members at their meeting on the 28th October 2013.
- 14 It should be stressed that the Executive Panel's recommendation is for one year only and that it is not sustainable without further significant service reform or some form of budget protection. It is suggested by the Clerk that the Improvement Planning Working Group should consider next year in more detail the balance between budget pressure risks and public risk and consider a level of service provision, in dialogue, with the constituent authorities, that seeks to balance these two risks.

Recommendations

15 Members are requested to:

- (i) consider the Equality Impact Assessment for the budget setting process;
- (ii) note the risks around setting a balanced budget for 2014-15;
- (iii) confirm that they wish the 2014-15 budget to be constructed on the basis of the current level of service provision;
- (iv) accept the recommendations of the Executive Panel that the budget should be frozen for a fourth year and that £1 million should be moved into a general reserve which could be used to cover any overspend which might arise through increased activity.